

Message Text

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PAGE 01 MANILA 02748 081457Z

45

ACTION EB-11

INFO OCT-01 EA-11 ISO-00 CAB-09 CIAE-00 COME-00 DODE-00

INR-10 NSAE-00 RSC-01 FAA-00 DOTE-00 L-03 IO-14 DRC-01

SS-20 SPC-03 NSC-07 /091 W

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FM AMEMBASSY MANILA

TO SECSTATE WASHDC PRIORITY 1674

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E.O. 11652: NA/A

TAGS: ETRN, RP

SUBJECT: CIVAIR: PHILIPPINE HOMECOMING FARES

REF: A) STATE 44712; B) MANILA 2415; C) MANILA 2003

1. WE ARE CONCERNED THAT US CAB IN SUSPENDING NWA FARE FILING DID NOT GIVE ADEQUATE WEIGHT TO FACT THAT INCREASED USE OF CHARTERS AND LIKELY RENEWAL BY GOP OF HOMECOMING CERTIFICATE REIMBURSEMENT SCHEME WILL LARGELY NULLIFY EFFECT OF REJECTING HOMECOMING FARE EXCEPT THAT NWA WILL FAIL TO SHARE NEW TRAFFIC GENERATED. THIS POINT DISCUSSED IN DETAIL REF C PARA 1C. FURTHERMORE, IT IS POSSIBLE THAT PHIL CAB WILL REFUSE RENEW AUTHORIZATION FOR US MILITARY FARE ON GROUNDS SIMILAR TO REPORTED BASIS US CAB ACTION.

2. WE DO NOT SHARE DEPARTMENT'S APPARENT BELIEF THAT WE SHOULD SIT BACK AND TAKE VIEW THAT ISSUE IS LARGELY BETWEEN CONFLICTING US CARRIER INTERESTS (REF A PARA 7). WE BELIEVE NWA GENUINELY INTERESTED IN ADDITIONAL TRAFFIC GENERATED BY HOMECOMING FARE WHETHER OR NOT ADDITIONAL 747 FREQUENCIES OBTAINED. NWA, OF COURSE, ALSO HOPES THAT IN IMPROVED ATMOSPHERE OF US/RP AVIATION

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PAGE 02 MANILA 02748 081457Z

RELATIONS ADDITIONAL 747 FREQUENCIES WILL BE GRANTED.

WE CONSIDER BOTH OF THESE OBJECTIVES IN OVERALL US INTEREST AS WELL AS THAT OF NWA.

3. PANAM'S POSITION IS EXTREMELY WEAK IN ARGUING THAT PAL IS ONLY CARRIER ABLE TO OFFER DIRECT US-PHIL SERVICE AND THUS IS CLEARLY PRIMARY PARTY AT INTEREST. (REF A PARA 3). ALSO ARGUMENT THAT PANAM WOULD NOT BE ABLE TO BENEFIT FROM NEW BUSINESS SO LONG AS GOP IMPOSES CAPACITY LIMITATIONS IS WEAKENED BY FACT THAT PANAM ACCORDING TO LOCAL MANAGER MACKENZIE IS CURRENTLY MAKING USE OF CHARTERS AS NEEDED AND IS NOT PRESSING FOR ADDITIONAL SCHEDULED SERVICE INTO MANILA EXCEPT POSSIBLY FOR ONE 707 FREQUENCY BETWEEN MANILA AND GUAM. THUS PANAM ESSENTIALLY TAKING DOG-IN-MANGER APPROACH DENYING NWA BENEFIT OF ADDITIONAL BUSINESS FROM PROMOTIONAL HOME-COMING FARE.

4. RE POSSIBLE IMPLICATIONS FOR US MILITARY FARE, PHIL CAB ON FEB 15 DEFERRED ACTION FOR FURTHER STUDY ON PANAM PETITION TO INCREASE US MILITARY FARE TO ECONOMICALLY REALISTIC LEVEL. MILITARY FARE TRAFFIC THUS LEFT TO ENTIRELY UNECONOMIC \$395 ROUND-TRIP, WITH AIRLINES REPORTEDLY RELUCTANT RESERVE SPACE ON PRESENTLY CROWDED EASTBOUND FLIGHTS. AT HEARING PAL COUNSEL OBJECTED TO PANAM PETITION, CITING AS REASON PANAM'S OPPOSITION TO NWA, PAL AND CAL PETITION BEFORE US CAB ON EXTENSION OF HOMECOMING FARE. ALTHOUGH PANAM IS SEEKING WITHDRAWAL OF PAL OPPOSITION, AIRLINE SOURCES CONSIDER LIKELY PHIL CAB MAY DECIDE SUSPEND MILITARY FARE OR CONTINUE TO DEFER ACTION ON PANAM PETITION (NWA IS ALSO PREPARING MILITARY FARE PETITION) IF US CAB SUSPENSION OF HOMECOMING FARE BECOMES FINAL. DESPITE ASSERTIONS AND REPORTED RULING THAT MILITARY FARE NOT UNJUSTLY DISCRIMINATORY, PHIL CAB MAY WELL FIND IT SO FOR REASONS ESSENTIALLY THE SAME AS USED BY US CAB TO SUSPEND NWA FILING.

5. WE URGE DEPARTMENT RECONSIDER POSITION TAKEN REF A AND SEEK WHITE HOUSE REVERSAL OF CAB ACTION IN ORDER PERMIT HOMECOMING FARE TO REMAIN IN EFFECT, AS PRESENTLY LIMITED OFFICIAL USE

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PAGE 03 MANILA 02748 081457Z

EXTENDED BY GOP, TO AUG 31, 1974.
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